
OLR Bill Analysis

sHB 5041

AN ACT CONCERNING INVESTMENT IN CONNECTICUT'S ADVANCED MANUFACTURING BUSINESSES.

SUMMARY:

This bill establishes the Connecticut Manufacturing Innovation Fund ("fund") administered by the Department of Economic and Community Development (DECD). It requires the fund to (1) provide financial assistance to businesses, nonprofits, and other organizations that are part of the supply chain or related disciplines of targeted industries, products, and services and (2) reimburse DECD for the costs it incurs in administering the fund. (Presumably, "related disciplines" refers to academic or applied research.) Assistance can be in the form of grants, loans, equity, or vouchers and must help develop manufacturing equipment, educate and train workers, or support research, among other things. Any assistance awarded from the fund must target certain disciplines and industries (e.g., aerospace, medical devices) that will improve or develop commercial products, make businesses more competitive, and create jobs. The fund must give priority to companies and other organizations located in certain target economic development areas.

The bill also creates an 11-member Manufacturing Innovation Advisory Board ("advisory board"), which consists of the DECD commissioner, four members appointed by the governor, and six members, one each appointed by the legislative leaders. The advisory board must create an application and approval process for financial assistance from the fund and approve expenditures, annual budgets, and any reports from the fund, among other duties. The board may also create a voucher program for recipients to access technical expertise at universities and nonprofits in the state.

DECD must prepare annual operating plans and budgets for the fund and provide all necessary staff, space, office systems, and administrative support needed to operate it. It must also report on the activities of the fund to the Commerce Committee annually beginning January 1, 2016.

EFFECTIVE DATE: Upon passage

CONNECTICUT MANUFACTURING INNOVATION FUND

The bill establishes the Connecticut Manufacturing Innovation Fund, which is dedicated, nonlapsing, and separate from the General Fund. The fund must contain (1) any funds required or permitted by law to be deposited in it, (2) repayments of loans granted from the fund, (3) private donations, gifts, grants, or bequests received by the fund, and (4) any local, state, or federal funds the fund received. Until it is used to award financial assistance, the treasurer must invest the money held by the fund as she sees fit, including in banks, investment funds, and state and federal bonds, among other investments. Investment earnings on the fund's assets become part of the fund.

DECD must provide necessary staff, space, office systems, and administrative support to operate the fund. DECD may exercise all of its statutory powers in administering the fund, provided the advisory board approves all fund expenditures other than DECD administrative costs.

Use of Funds

Any money held in the fund must be used to provide financial assistance to approved eligible recipients or reimburse DECD for its administrative costs (e.g., peer review costs, professional fees, and allocated staff costs).

Under the bill, an "eligible recipient" for financial assistance is (1) an aerospace, medical device, or other company or nonprofit organization specializing in or providing technologically advanced commercial products or services; (2) an entity looking to leverage federal grant funds to support manufacturing advancement; or (3) a

certified education or training program designed to meet future workforce needs.

The fund's financial assistance can be in the form of grants, extensions of credit, loans, loan guarantees, equity investments, or other forms of financing. It must be used for:

1. further developing or modernizing manufacturing equipment;
2. supporting advancements in manufacturing;
3. supporting advanced manufacturing research and development;
4. supporting expansion and training by eligible recipients;
5. attracting new manufacturers to the state;
6. supporting education and training programs that help meet the anticipated skilled workforce demands;
7. matching or leveraging federal funds to help Connecticut universities increase research efforts; or
8. funding a voucher program for technical assistance.

Recipients of financial assistance must use funds for costs related to facilities, necessary furniture, fixtures and equipment, tooling development and manufacture, materials and supplies, proof of concept or relevance, research and development, compensation, or other costs that the advisory board deems eligible.

Voucher Program

The bill allows the advisory board to establish, and DECD to develop regulations for, a voucher program to help recipients access technical experts at universities, nonprofits, and other organizations. These experts can provide specialized expertise to help solve a recipient's engineering, marketing, and other challenges.

Targeting and Priority Consideration

Any financial assistance awarded from the fund must target the

supply chains and related disciplines of aerospace, medical device, composite materials, digital manufacturing, and other technologically advanced commercial products and services. These supply chains and related disciplines must also (1) be likely to improve or develop commercial products that advance the state of technology and the recipient's competitive position recipient's and (2) promise to directly or indirectly grow jobs in the state in related fields.

DECD and the advisory board must give priority to proposals from any company that is located in or plans to relocate to (1) a distressed municipality, (2) a targeted investment community, (3) a public investment community, (4) an enterprise zone, or (5) a manufacturing innovation district. The bill allows DECD to establish, in consultation with the advisory board, "manufacturing innovation districts" in order to promote DECD's economic development priorities. The bill does not specify the number or size of districts that may be established, nor does it provide criteria for selecting them.

Application and Approval Process

The advisory board must establish an application and approval process with guidelines and terms for financial assistance awarded from the fund. These guidelines and terms must:

1. require any applicant for financial assistance to operate in the state or plan to relocate to the state;
2. limit the amount of financial assistance that can be awarded in the form of loans or grants;
3. include eligibility requirements for loans and grants, including a requirement to match state funds with funds from nonstate sources;
4. create a preliminary review process to be carried out by DECD before presenting proposals to the board;
5. include return on investment objectives, such as job growth and leveraged investment opportunities; and

6. include any other guidelines the advisory board determines to be necessary and appropriate.

Budget and Operating Plan

Each fiscal year beginning July 1, 2015, DECD must prepare an operating plan and an operating and capital budget for the fund. DECD must submit the budgets and plan to the advisory board for review and approval 90 days before the start of each fiscal year. DECD is entitled to reimbursement for administrative costs associated with administering the fund, but the total administrative cost must not exceed 5% of the funds allocated in the operating budget for the year.

Approval of Expenditures

All expenditures from the fund (except for DECD's administrative costs) must be approved by the advisory board. Any approval by the board must be (1) specific to an individual expenditure, (2) for budgeted expenditures with variations authorized by the board, or (3) for a financial assistance program administered by DECD. The advisory board may delegate the approval of transactions valued at less than \$100,000 to DECD staff.

Reporting

DECD must submit a report on the fund's activities annually beginning January 1, 2016 to the advisory board for approval. After approving the report, the advisory board must submit the report to the Commerce Committee. The report must contain information on the status and progress of the fund's operations and funding, financial assistance awarded, and any returns on investment (e.g., principal or interest payments, returns on equity investments).

MANUFACTURING INNOVATION ADVISORY BOARD

The bill creates an 11-member advisory board with 10 appointed members and the DECD commissioner, or her designee, as chair. The governor appoints four members; the Senate president pro tempore, the House speaker, the Senate majority and minority leaders, and the House majority and minority leaders each appoint one. Each board member serves a term coterminous with his or her appointing

authority. If a vacancy occurs for a reason other than the expiration of the appointing authority's term, the vacancy must be filled in the same manner. Each member hold his or her position on the board until a successor is appointed. All initial appointments to the advisory board must be made by July 1, 2014.

Each board member appointed must:

1. have skill, knowledge, and experience, in industries and science related to aerospace, medical devices, digital manufacturing, digital communication, or advanced manufacturing;
2. be a university faculty member or hold a graduate degree in a related discipline;
3. have manufacturing education and training expertise; or
4. represent manufacturing-related business or professional organizations.

A majority of members constitutes a quorum for exercising the boards powers, and the board may act by majority vote at any meeting at which a quorum in present. The chair must call the first meeting by September 20, 2014, and future meetings as she deems necessary.

Reimbursement and Conflicts of Interest

Members of the advisory board are not paid for their service, but are entitled to reimbursement for actual and necessary expenses incurred in the performances of their duties. Members may be privately employed, or in a profession or business, subject to state and federal ethics and conflicts of interest laws, rules, and regulations. However, regardless of law, it is not a conflict of interest for a trustee, director, partner, officer, manager, shareholder, proprietor, counsel, or employee of an eligible recipient to serve as a member of the advisory board, provided he or she abstains from acting, deliberating, or voting on any matter concerning the eligible recipient.

BACKGROUND

Related Bills

sSB 29, reported favorably by the Finance Committee, authorizes up to \$30 million in bonding for the fund.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/20/2014)